



CENTRAL KAROO DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Central Karoo Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
COUNTRY OF ORIGIN AND LEGAL FORM	South Africa Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
JURISDICTION	The CENTRAL KAROO Municipality includes the following municipal areas: Beaufort West Municipality Prince Albert Municipality Laingsburg Municipality
MUNICIPAL MANAGER	Mr. S Jooste
CHIEF FINANCE OFFICER	Ms. UM Baartman
REGISTERED OFFICE	63 Donkin Street, Beaufort West, 6970
AUDITORS	Auditor General of South Africa
BANKERS	First National Bank, Beaufort West ABSA, Beaufort West Nedbank, Beaufort West
ATTORNEYS	Crawfords Attorneys Coetzee & van den Bergh Attorneys
RELEVANT LEGISLATION	Basic Conditions of Employment Act (Act no 75 of 1997) Collective Agreements Division of Revenue Act Employment Equity Act (Act no 55 of 1998) Electricity Act (Act no 41 of 1987) Housing Act (Act no 107 of 1997) Infrastructure Grants Municipal Finance Management Act (Act no 56 of 2003) Municipal Planning and Performance Management Regulations Municipal Property Rates Act (Act no 6 of 2004) Municipal Regulations on Standard Chart of Accounts Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) SALBC Leave Regulations Skills Development Levies Act (Act no 9 of 1999) Supply Chain Management Regulations, 2005 The Income Tax Act Unemployment Insurance Act (Act no 30 of 1996) Value Added Tax Act

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Active councillors as at 30 June 2019:

Executive Mayor
Deputy Mayor
Speaker
Councillor (Full time)
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor

AL Rabie
M Jaftha
IJ Windvogel
R Meyer
AM Slabbert
N Constable
SM Meyers
MS Hangana
J Botha
SM Motsoane
ZJD Lambert
D Welgemoed

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2019, which are set out on pages 4 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



Accounting Officer
Mr. S Jooste

CENTRAL KAROO DISTRICT MUNICIPALITY

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note(s)	2019 R	2018 R
Assets			
Current Assets			
Inventory	2	981 941	652 648
Receivables from exchange transactions	3	5 483 057	3 109 925
Receivables from non-exchange transactions	4	1 520 751	1 974 590
Unpaid Conditional Government Grants and Receipts	5	289 581	289 581
Taxes	6	342 574	738 864
Employee Benefits Receivables	7	787 475	928 829
Cash and cash equivalents	8	7 103 963	8 108 327
		16 509 342	15 802 764
Non-Current Assets			
Property, Plant and Equipment	9	8 478 847	8 090 437
Intangible assets	10	112 241	85 083
Employee Benefits Receivable	7	8 613 342	9 515 553
		17 204 430	17 691 073
Total Assets		33 713 772	33 493 837
Liabilities			
Current Liabilities			
Current Employee benefits	11	4 575 747	4 828 139
Finance lease obligation	12	69 502	67 409
Payables from exchange transactions	13	5 075 415	6 754 203
Unspent conditional grants and receipts	5	2 372 849	2 538 556
		12 093 513	14 188 307
Non-Current Liabilities			
Finance lease obligation	12	20 668	90 170
Employee benefits	14	15 253 635	17 094 788
		15 274 303	17 184 958
Total Liabilities		27 367 816	31 373 265
Net Assets		6 345 956	2 120 572
Accumulated surplus		6 345 956	2 120 572

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STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2019 R	2018 R
Revenue			
Revenue from exchange transactions			
Agency services	15	4 226 696	3 540 601
Department of Transport - Roads Service Charges		58 752 840	42 478 676
Interest received		746 541	513 228
Licences and permits		30 155	32 060
Operational Revenue	17	204 445	223 746
Rental from fixed asset		72 725	87 109
Total revenue from exchange transactions		64 033 402	46 875 420
Revenue from non-exchange transactions			
Contributed property		-	471 000
Settlement by National Treasury	25	1 520 351	1 439 698
Transfer revenue			
Government grants & subsidies	18	36 078 167	31 809 261
Total revenue from non-exchange transactions		37 598 518	33 719 959
Total revenue		101 631 920	80 595 379
Expenditure			
Employee related costs	19	(45 661 437)	(40 385 549)
Remuneration of councillors	20	(3 658 708)	(3 550 046)
Contracted services		(13 127 492)	(4 724 216)
Depreciation and amortisation	21	(502 079)	(479 047)
Impairment	22	(619)	(350 885)
Finance costs	23	(738 725)	(734 790)
Operational cost	24	(23 349 424)	(21 006 138)
Inventory Consumed	2	(13 488 600)	(11 449 228)
Total expenditure		(100 527 084)	(82 679 899)
Operating surplus (deficit)		1 104 836	(2 084 520)
Gain (loss) on disposal of assets and liabilities		51 564	(15 885)
Actuarial gains / (loss)	14	2 976 629	1 133 722
Reversal of impairment losses	16	3 895	58 304
Reversal on impairment loss on Receivables	4	88 462	(12 618)
		3 120 550	1 163 523
Surplus (deficit) for the year		4 225 386	(920 997)

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STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	3 258 472	3 258 472
Prior year adjustments	(216 905)	(216 905)
Restated balance at 01 July 2017	3 041 567	3 041 567
Changes in net assets		
Net Loss for the year as previously reported	(72 256)	(72 256)
Prior Period Adjustments - Note 29	(848 739)	(848 739)
Balance at 01 July 2018	2 120 570	2 120 570
Changes in net assets		
Surplus for the year	4 225 386	4 225 386
Balance at 30 June 2019	6 345 956	6 345 956

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

CASH FLOW STATEMENT

	Note(s)	2019 R	2018 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other		66 407 597	53 543 544
Government		36 078 167	31 809 261
Interest income		746 541	513 228
		<u>103 232 305</u>	<u>85 866 033</u>
Payments			
Suppliers and employees		(103 239 916)	(79 115 033)
Finance costs		(10 131)	(14 916)
		<u>(103 250 047)</u>	<u>(79 129 949)</u>
Net cash flows from operating activities	27	<u>(17 742)</u>	<u>6 736 084</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(863 089)	(1 320 001)
Purchase of Intangible assets		(56 124)	(34 675)
Increase in Loan		-	(278 794)
Net cash flows from investing activities		<u>(919 213)</u>	<u>(1 633 470)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in/(Repayment of) finance lease		(67 409)	17 212
Net increase/(decrease) in cash and cash equivalents		<u>(1 004 364)</u>	<u>5 119 826</u>
Cash and cash equivalents at the beginning of the year		8 108 327	2 988 501
Cash and cash equivalents at the end of the year	8	<u>7 103 963</u>	<u>8 108 327</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 39
	R	R	R	R	R	
Statement of Financial Performance						
REVENUE FROM EXCHANGE TRANSACTIONS						
Agency Services	3 947 368	426 328	4 373 696	4 226 696	(147 000)	A
Department of Transport - Roads Service Charges	41 266 550	16 688 397	58 954 947	58 752 840	(202 107)	B
Interest Received	700 000	(100 000)	600 000	746 541	146 541	C
Licences and permits	-	-	-	30 155	30 155	B
Operational Revenue	-	-	-	204 445	204 445	B
Rental of fixed asset	100 000	(20 000)	80 000	72 725	(7 275)	D
Total revenue from exchange transactions	46 013 918	16 994 725	64 008 643	64 033 402	24 759	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Settlement by National Treasury	-	-	-	1 520 351	1 520 351	E
TRANSFER REVENUE						
Government grants & subsidies	35 883 000	9 337 881	45 220 881	36 078 167	(9 142 714)	E
Total revenue from non- exchange transactions	35 883 000	9 337 881	45 220 881	37 598 518	(7 622 363)	
Total revenue	81 896 918	26 332 606	109 229 524	101 631 920	(7 597 604)	
EXPENDITURE						
Employee related costs	(47 418 629)	-	(49 250 859)	(45 661 437)	3 589 422	F
Remuneration of councillors	(4 032 069)	-	(4 011 521)	(3 658 708)	352 813	G
Contracted Services	(1 406 148)	-	(5 452 995)	(13 127 492)	(7 674 497)	H
Depreciation and amortisation	(432 355)	-	(409 642)	(502 079)	(92 437)	I
Impairment	-	-	-	(619)	(619)	J
Finance costs	-	-	-	(738 725)	(738 725)	F
Operational cost	(27 128 454)	-	(46 818 618)	(23 349 423)	23 469 195	H
Other materials	(65 500)	-	(1 909 000)	-	1 909 000	H
Inventory Consumed	-	-	-	(13 488 600)	(13 488 600)	H
Total expenditure	(80 483 155)	-	(107 852 635)	(100 527 083)	7 325 552	
Operating surplus	1 413 763	(36 874)	1 376 889	1 104 837	60 738 320	
Gain on disposal of assets and liabilities	-	-	-	51 564	51 564	K
Actuarial gains/losses	-	-	-	2 976 629	2 976 629	F
Reversal of impairment losses	-	-	-	3 895	3 895	L
Reversal of impairment loss on Receivables	-	-	-	88 462	88 462	M
	-	-	-	3 120 550	3 120 550	
Surplus before taxation	1 413 763	(36 874)	(1 376 889)	4 225 387	2 300 379	

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 39
	R	R	R	R	R	
Statement of Financial Position						
ASSETS						
Inventory	857 730	-	857 730	981 941	124 211	N
Receivables from exchange transactions	-	-	-	5 483 057	5 483 057	O
Receivables from non-exchange transactions	1 248 439	-	1 248 439	1 520 751	272 312	P
Unpaid Conditional Government Grants and Receipts	-	-	-	289 581	289 581	Q
Taxes	-	-	-	342 574	342 574	R
Cash and Cash Equivalents	3 924 964	(31 490)	3 893 474	7 103 963	3 210 489	S
Employee benefit receivable	-	-	-	787 475	787 475	T
Consumer debtors	2 100 000	-	2 100 000	-	(2 100 000)	O
	8 131 133	(31 490)	8 099 643	16 509 342	8 409 699	
NON-CURRENT ASSETS						
Property, plant and equipment	8 656 193	31 490	8 687 683	8 478 847	(208 836)	A
Intangible assets	82 410	-	82 410	112 241	29 831	U
Employee Benefits Receivable	10 521 241	-	10 521 241	8 613 342	(1 907 899)	T
	19 259 844	31 490	19 291 334	17 204 430	(2 086 904)	
Total Assets	27 390 977	-	27 390 977	33 713 772	6 322 795	
LIABILITIES						
CURRENT LIABILITIES						
Current Employee Benefits	-	-	-	4 575 747	4 575 747	T
Finance lease Obligation	39 000	-	39 000	69 502	30 502	V
Trade and Other Payables	5 550 644	-	5 550 644	5 075 414	(475 230)	S
Unspent conditional grants and receipts	-	-	-	2 372 849	2 372 849	E
	5 589 644	-	5 589 644	12 093 512	6 503 868	
NON-CURRENT LIABILITIES						
Finance lease Obligation	101 367	-	101 367	20 668	(80 699)	V
Employee benefits	20 286 000	-	20 286 000	15 253 635	(5 032 365)	T
	20 387 367	-	20 387 367	15 274 303	(5 113 064)	
Total Liabilities	25 977 011	-	25 977 011	27 367 815	1 390 804	
Net Assets	1 413 966	-	1 413 966	6 345 957	4 931 991	
NET ASSETS						
RESERVES						
Accumulated surplus	1 413 966	-	1 413 966	6 345 957	4 931 991	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 39
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
RECEIPTS						
Other Revenue	45 313 918	18 124 725	63 438 643	66 407 597	2 968 954	W
Government grants	35 883 000	2 997 148	38 880 148	36 078 167	(2 801 981)	X
Government capital	-	81 521	81 521	-	(81 521)	X
Interest	700 000	(100 000)	600 000	746 541	146 541	C
	81 896 918	21 103 394	103 000 312	103 232 305	231 993	
PAYMENTS						
Suppliers and employees	(52 922 348)	(21 103 394)	(74 025 742)	(103 239 916)	(29 214 174)	Y
Finance costs	-	-	-	(10 131)	(10 131)	Z
Transfers and Grants	(27 128 455)	-	(27 128 455)	-	27 128 455	Y
	(80 050 803)	(21 103 394)	(101 154 197)	(103 250 047)	(2 095 850)	
Net cash flows from operating activities	1 846 115	-	1 846 115	(17 742)	(1 863 857)	
Cash flows from investing activities						
Purchase of property plant and equipment	(1 015 350)	(11 490)	(1 026 840)	(863 089)	163 751	AA
Purchase of other intangible assets	-	-	-	(56 124)	(56 124)	AA
Net cash flows from investing activities	(1 015 350)	(11 490)	(1 026 840)	(919 213)	107 627	
Cash flows from financing activities						
Increase in/(Repayment of) finance lease	-	-	-	(67 409)	(67 409)	V
Increase in consumer deposits	105 698	-	105 698	-	(105 698)	BB
Net cash flows from financing activities	105 698	-	105 698	(67 409)	(173 107)	
Net increase/(decrease) in cash and cash equivalents	936 463	(11 490)	924 973	(1 004 364)	(1 929 337)	
Cash and cash equivalents at the beginning of the year	2 988 501	-	2 988 501	8 108 327	5 119 826	
Cash and cash equivalents at the end of the year	3 924 964	(11 490)	3 913 474	7 103 963	3 190 489	

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenditure have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.1 Presentation currency

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a Standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has started with a process during the year to align items in the annual financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. This is set out in note 29 of the annual financial statements.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

ACCOUNTING POLICIES

1.4 Amended Disclosure Policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include prior period error disclosure.

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6 Presentation of budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.7 Standards, amendments to standards and interpretations issued but yet effective

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2018/19 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

ACCOUNTING POLICIES

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. Additional disclosure will be required with the full implementation of the Standard.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 34 (Revised – April 2019)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact is expected as the Municipality has no investment in any entities.</p>	Unknown
GRAP 35 (Revised – April 2019)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact is expected as the Municipality does not control any entities.</p>	Unkown
GRAP 36 (Revised – April 2019)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.</p>	Unkown

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ACCOUNTING POLICIES

GRAP 37 (Revised – April 2019)	<u>Joint Arrangements</u> The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements) No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.	Unknown
GRAP 38 (Revised - April 2019)	<u>Disclosure of Interest in Other Entities</u> The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: <ul style="list-style-type: none">• the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and• the effects of those interests on its financial position, financial performance and cash flows No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.	Unknown
GRAP 108	<u>Statutory Receivables</u> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	Unknown
GRAP 109	<u>Accounting by Principles and Agents</u> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
GRAP 110	<u>Living and non-living resources</u> The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2020

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 18	<p><u>Recognition and Derecognition of Land</u></p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019
IGRAP 19	<p><u>Liabilities to Pay Levies</u></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019

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ACCOUNTING POLICIES

1.8 Leases

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.9 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

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ACCOUNTING POLICIES

1.10 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11 Unpaid conditional government grants and receipts

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on grant conditions being met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 Unspent public contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

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1.13 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.14 Employee benefits

Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually using the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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ACCOUNTING POLICIES

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

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Ex-Gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on the bonus accrued at year end for each employee.

Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15 Property, Plant and Equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

ACCOUNTING POLICIES

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Years
Community Assets	
Civic Buildings	100
Other Assets	
General vehicles	11 - 25
Fire Engines	18 - 25
Disaster Management Equipment	10 - 28
Plant and Equipment	9 - 41
Computer Hardware	5 - 25
Furniture and Other Office Equipment	5 - 50
Land and Buildings	
Land	Indefinite
Buildings	100
Finance Lease Assets	
Lease Furniture and Office Equipment	3 - 5

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

De-recognition

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Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as at 1 July 2007.

1.16 Intangible Asset

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding agreements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

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Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5-13

De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of Deemed Cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as at 1 July 2007.

1.17 Impairment of non-financial asset

Cash Generating Assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;

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- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset, to a non-cash generating asset or from a non-cash-generating asset, to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

Non-Cash-Generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;

- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

b) Internal sources of information

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- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation), had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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1.18 Inventories

Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, materials and supplies and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.19 Financial Instruments

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

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ACCOUNTING POLICIES

Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Non-Current Investments

Investments which include investments in Municipal Entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

De-recognition

Financial Assets

A Financial Asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A Financial Liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

Offsetting of Financial Instruments

Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.20 Statutory receivables

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial Recognition

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ACCOUNTING POLICIES

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- a) interest or other charges that may have accrued on the receivable;
- b) impairment losses; and
- c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is reversed if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

Derecognition

The Municipality derecognises a statutory receivable when:

- a) the rights to the cash flows from the receivable are settled, expire or are waived;
- b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

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1.21 Revenue

Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received, or receivable, are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

Revenue from Exchange Transactions

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ACCOUNTING POLICIES

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. The Municipality performs an agency function on behalf of the Provincial Administration: Western Cape for the proclaimed roads within its area.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22 Related parties

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

a) are married or live together in a relationship similar to a marriage; or

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ACCOUNTING POLICIES

b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- all members of the governing body of the Municipality;
- a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- the senior management team of the Municipality, including the Chief Executive Officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.23 Unauthorised Expenditure

Unauthorised Expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or Organ of State and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Irregular expenditure

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.25 Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Contingent liabilities and contingent assets

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A Contingent Liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management's judgement is required when recognising and measuring contingent liabilities.

1.27 Significant accounting judgements and estimates

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in **note 14** of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

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- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other Municipalities' asset registers, given that the other Municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other Municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance Bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Revenue Recognition

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ACCOUNTING POLICIES

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28 Taxes - value added tax

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.29 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
2. INVENTORY		
Maintenance Materials - At cost	981 941	652 648
2.1 Materials written down due to losses as identified during the annual stores counts:		
Fuel inventory	-	24 455
Inventories recognised as an expense during the year - Materials and supplies.	13 488 600	11 449 228
No Inventories have been pledged as collateral for liabilities of the municipality.		
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Roads - Sundry debtors	5 483 057	3 109 925
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other receivables	1 523 737	2 066 038
Less: Allowance for Doubtful Debts	(2 986)	(91 448)
	1 520 751	1 974 590
Reconciliation of Bad debt		
Balance at beginning of year	91 448	78 830
Contribution to provision/(Reversal of provision)	(88 462)	12 618
	2 986	91 448
Provision are made for all debtors handed over to lawyers for collection, except for debtors disclosed in note 33 which have to be collected in terms of the MFMA.		
Ageing of debtors		
Current (0 - 30 days)	593 182	142 181
31 - 60 Days	73 163	33 089
61 - 90 Days	8 595	701 928
+ 90 Days	845 811	1 097 392
	1 520 751	1 974 590

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent grants		
Provincial Government Grants	2 088 543	1 542 377
Other Grant Providers	284 306	996 179
	2 372 849	2 538 556
Less: Unpaid Grants		
National Government Grants	289 581	289 581
Unspent Grants	2 372 849	2 538 556
Unpaid Grants	(289 581)	(289 581)
	2 083 268	2 248 975

See appendix "E" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

LG SETA project

CKDM paid LGSETA project related expenditure in advance to the amount of R 745 766 as at 30 June 2017; an amount of R 1 368 614 was received for the project during the year and expenditure for the year was paid out in the amount of R 302 000 during 2017/2018. In 2018/2019 an additional amount of R118 450 was paid to a service provider.

Please take note that Council has specifically stated that no more payments will be made to service providers linked to this project unless the full amount payable has been received from LGSETA.

The Municipality will only become liable for amounts to the various service providers if and when the workplace verification of learner competence is recorded as per the relevant qualification and SETA ETQA requirements. The LGSETA funding agreement has been extended to December 2019.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
6. TAXES		
VAT	342 574	738 864
VAT is receivable/payable on the cash basis.		
7. EMPLOYEE BENEFITS RECEIVABLE		
Department of Transport: Roads - Post Employment Health Care Benefits	7 529 705	8 635 684
Department of Transport: Roads - Long Service Awards	1 498 716	1 360 718
Department of Transport: Roads - Ex-Gratia Pension Benefits	372 396	447 980
	9 400 817	10 444 382
Less: Current portion transferred to current receivables		
Department of Transport: Roads - Post Employment Health Care Benefits	(461 957)	(579 407)
Department of Transport: Roads - Long Service Awards	(144 096)	(234 101)
Department of Transport: Roads - Ex-Gratia Pension Benefits	(181 422)	(115 321)
	(787 475)	(928 829)
Other asset 1 - Non-current portion		
Total Long Term Receivables	8 613 342	9 515 553
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	1 300	1 300
Bank balances	1 163 318	3 521 476
Call Investments Deposits	5 939 345	4 585 551
	7 103 963	8 108 327

Cash and cash equivalents comprise cash held and short term deposits.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents. Except for cash and cash equivalents that relate to unspent conditional grants, it has to remain cash backed.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019			2018		
	R			R		
The municipality had the following bank accounts						
Account description	Bank statement balances			Cash book balances		
	30/06/2019	30/06/2018	30/06/2017	30/06/2019	30/06/2018	30/06/2017
ABSA Bank Account Number 1540 0000 14 (Cheque Account)	745 958	39 279	91 833	745 958	39 279	91 833
First National Bank Account Number 6206 2151 429 (Cheque Account)	28 167	3 515 677	274 763	28 167	3 482 197	(171 791)
Nedbank Account number 1178835510 (Cheque Account)	389 886	-	-	389 193	-	-
Total	1 164 011	3 554 956	366 596	1 163 318	3 521 476	(79 958)

Call Investment deposits

Nedbank - 03 / 7881125551 / 01	1 975 391	1 838 376
First Rand Bank Limited - 6223 6004 355	45 793	486 184
Nedbank - 03 / 7881114568	2 110 663	4 121
Nedbank - 03 / 7881121858	397 926	2 256 870
Nedbank - 03 / 78811507777	1 376 340	-
Nedbank 03 / 7881151625	33 232	-
	5 939 345	4 585 551

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	2019		2018	
	Cost	Accumulated Carrying value Depreciation and Impairment	Cost	Accumulated Carrying value Depreciation and Impairment
Land	853 150	-	853 150	-
Buildings	5 940 333	(2 272 780)	3 667 553	(2 225 962)
Plant and machinery	985 142	(318 055)	667 087	(228 786)
Furniture and fixtures	2 278 528	(1 326 704)	951 824	(1 246 115)
Motor vehicles	3 088 731	(1 297 004)	1 791 727	(1 130 692)
Office equipment	1 252 124	(704 618)	547 506	(653 467)
Total	14 398 008	(5 919 161)	8 478 847	(5 485 022)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal/(losses)	Total
Land	853 150	-	-	-	-	853 150
Buildings	3 714 371	-	-	(46 818)	-	3 667 553
Machinery and equipment	756 356	-	-	(89 269)	-	667 087
Furniture and fixtures	690 129	382 824	(4 842)	(119 304)	3 017	951 824
Office equipment	370 176	228 481	-	(51 412)	261	547 506
Motor vehicles	1 706 255	251 784	-	(166 312)	-	1 791 727
Total	8 090 437	863 089	(4 842)	(473 115)	3 278	8 478 847

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Prior period error	Impairment reversal/ (loss)	Total
Land	789 000	40 950	-	-	-	23 200	853 150
Buildings	3 296 018	430 050	-	(46 802)	-	35 105	3 714 371
Machinery & Equipment	732 118	106 218	-	(81 980)	-	-	756 356
Furniture & equipment	547 204	250 659	-	(106 487)	11 727	(12 974)	690 129
Office equipment	331 743	101 355	-	(60 730)	22 265	(24 457)	370 176
Motor vehicles	1 145 012	830 746	(99 495)	(170 008)	-	-	1 706 255
	6 841 095	1 759 978	(99 495)	(466 007)	33 992	20 874	8 090 437

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Pledged as security		
Leased Property, Plant and Equipment of R90 170 is secured for leases as set out in Note 12.		
There are no contractual commitments for the acquisition of property.		
The prior period error in 2018 to the amount of R33 992 relating to office equipment and furniture and equipment not recognised in previously.		
Other information		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.		
Property, plant and equipment in the process of being constructed or developed		
Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Contracted Services	387 146	234 728

10. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Computer software	284 405	(172 164)	112 241	228 280	(143 197)	85 083

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	85 083	56 124	(28 966)	112 241

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	75 272	33 056	(23 245)	85 083

The following material intangible assets are included in the carrying value above

Microsoft software and other software.	112 241	85 083
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CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title are restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

11. CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Refer to Note 14	854 101	1 079 358
Current Portion of Long Service Provisions - Refer to Note 14	212 244	364 538
Current Portion of Ex Gratia Benefits - Refer to Note 14	181 422	115 321
Provision for staff Staff Leave	1 932 846	1 650 293
Provision for Performance Bonusses	368 267	725 890
Staff Bonusses Accrued	1 026 867	892 739
	4 575 747	4 828 139

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	1 650 293	1 681 681
Contribution to current portion	425 705	138 127
Expenditure incurred	(143 152)	(169 515)
	1 932 846	1 650 293

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign.

Provision for Performance Bonusses

Balance at beginning of year	725 890	406 957
Contribution to current portion	(38 457)	318 933
Expenditure incurred	(319 166)	-
	368 267	725 890

Staff Bonuses Accrued

Balance at beginning of year	892 739	863 564
Contribution to current portion	2 369 295	1 843 875
Expenditure incurred	(2 235 167)	(1 814 700)
	1 026 867	892 739

Bonuses are being paid to all permanent municipal staff, excluding the bonus payable to section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

CENTRAL KAROO DISTRICT MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
12. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	77 540	47 382
- in second to fifth year inclusive	94 717	109 450
	172 257	156 832
less: future finance charges	(14 678)	(16 465)
Present value of minimum lease payments	157 579	140 367
 Non-current liabilities	 20 668	 90 170
Current liabilities	69 502	67 409
	90 170	157 579

Refer to Appendix A for the detailed capitalised lease liability.

13. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	2 019 434	4 595 106
Roads - sundry creditors	1 975 391	1 838 375
Debtors with credit balances	38 307	83 836
Sundry Creditors	1 042 283	236 886
	5 075 415	6 754 203

Payables are being recognised net of any discounts.

Payables are being paid within 30 days of receipt of invoice or statement as prescribed by the MFMA, unless the account is in dispute. This credit period granted is considered to be consistent with the terms used in the public sector through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Interest and penalties on late payments may arise if payment is not done within 30 days.

14. EMPLOYEE BENEFIT OBLIGATIONS

The amounts recognised in the Statement of Financial Position are as follows:

Carrying value		
Post Retirement Benefits	(5 999 638)	(6 951 504)
Roads Post-Retirement Benefits	(7 067 748)	(8 056 277)
Roads Long Service Awards	(1 354 620)	(1 126 617)
Long Service Awards Other	(640 654)	(627 731)
Ex Gratia Roads	(190 975)	(332 659)
	(15 253 635)	(17 094 788)

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Post Retirement Medical Aid Benefits		
Opening balance	16 087 138	16 359 148
Contribution for the year	231 808	349 850
Interest Cost	1 454 815	1 494 038
Benefits paid	(813 463)	(895 261)
Actuarial (Gain) / Loss	(3 038 811)	(1 220 637)
Less: Transfer of Current Portion - Refer to Note 11	(854 101)	(1 079 358)
	13 067 386	15 007 780
Long Service Awards		
Opening balance	2 118 886	1 778 965
Contribution for the year	178 572	157 642
Interest cost	165 123	145 753
Benefits paid	(340 576)	(84 479)
Actuarial Loss/(Gain)	85 513	121 005
Less: Transfer of Current Portion - Refer to Note 11	(212 244)	(364 538)
	1 995 274	1 754 348
Ex-Gratia Benefits		
Opening balance	447 980	527 223
Interest Cost	35 083	38 555
Benefits paid	(87 336)	(83 708)
Actuarial (Gain)	(23 331)	(34 090)
Less: Transfer of Current Portion - Refer to Note 11	(181 422)	(115 321)
	190 974	332 659
TOTAL NON-CURRENT EMPLOYEE BENEFITS		
Opening balance	18 654 004	18 665 336
Contribution for the year	410 381	507 493
Interest cost - Refer to Note 23	1 655 021	1 678 346
Benefits paid	(1 241 375)	(1 063 448)
Actuarial Gain for the year	(2 976 629)	(1 133 722)
Transfer of Current portion - Note 11	(1 247 767)	(1 559 217)
	15 253 635	17 094 788

CENTRAL CAROO DISTRICT MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	34	23
In-service (employee) non-members	115	105
Continuation members (e.g. Retirees, widows, orphans)	20	27
Total Members	169	155

The liability in respect of past service has been estimated to

In-service members	3 640 338	4 632 536
In-service (employee) non-members	1 184 981	328 133
Continuation members	9 096 168	11 126 469
Total Liability	13 921 487	16 087 138

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 Rm	2016 Rm	2015 Rm
Total Liability	16.359	16.866	15.552

Experience adjustments were calculated as follows:	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Liabilities: (Gain) / loss	-0.515	-0.117	1.453	0.791
Assets: Gain / (loss)	-	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth - Hosmed.

Key actuarial assumptions used:	2019 %	2018 %
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i) Rate of interest

Discount rate	9.15%	9.35%
Health Care Cost Inflation Rate	6.67%	7.25%
Net Effective Discount Rate	2.32%	1.96%
Maximum subsidy inflation rate	4.63%	5.06%
Net-of-maximum-subsidy-inflation discount rate	4.32%	4.08%

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 9.15% per annum has been used. The corresponding index-linked yield at this term is 2.32%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 28 June 2019.

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year with a mortality improvement p.a. from 2010

iii) Normal retirement age

It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as		
Present value of fund obligations		
PEMA	13 921 487	16 087 138
LSA	2 207 518	2 118 886
Ex-Gratia	372 396	447 980
Total Liability	16 501 401	18 654 004

The fund is wholly unfunded.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of present value of fund obligation (PEMA):

	2019 R	2018 R
Present value of fund obligation at the beginning of the year	16 087 138	16 359 148
Total expenses	873 160	948 627
Current service cost	231 808	349 850
Interest Cost	1 454 815	1 494 038
Benefits Paid	(813 463)	(895 261)
Actuarial (Gains)/Losses	(3 038 811)	(1 220 637)
Present value of fund obligation at the end of the year	13 921 487	16 087 138
Less Transfer of Current Portion - Note 11	(854 101)	(1 079 358)
Non - current portion	13 067 386	15 007 780

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		4.825	9.096	13.921	
Health care inflation	1%	5.450	9.511	14.961	7%
Health care inflation	-1%	4.113	8.599	12.712	-9%
Discount rate	1%	4.060	8.349	12.409	-11%
Discount rate	-1%	5.806	9.978	15.784	13%
Post-retirement mortality	-1yr	4.957	9.414	14.371	3%
Average retirement age	-1yr	5.196	9.096	14.292	3%
Withdrawal Rate	-10%	3.581	9.096	12.677	-9%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		231 800	1 454 800	1 686 600	
Health care inflation	1%	257 200	1 546 100	1 803 300	7%
Health care inflation	-1%	198 700	1 344 900	1 543 600	-8%
Discount rate	1%	191 800	1 445 800	1 637 600	-3%
Discount rate	-1%	283 400	1 459 500	1 742 900	3%
Post-retirement mortality	-1yr	238 300	1 505 300	1 743 600	3%
Average retirement age	-1yr	249 300	1 486 600	1 735 900	3%
Withdrawal Rate	-10%	132 500	1 343 700	1 476 200	-12%

The Future-service Cost for the ensuing year is estimated to be R 333 054, whereas the Interest- Cost for the next year is estimated to be R1 235 596

14.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

Roads	110	97
Other	39	31
As at year end, the following number of employees were eligible for Long Service Bonuses.	149	128

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.10%	8.51%
General Salary Inflation (long-term)	5.52%	6.14%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.45%	2.23%

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 8.10% per annum has been used. The corresponding index-linked yield at this term is 2.45%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 28 June 2019.

ii) Normal retirement age

It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.

CENTRAL CAROO DISTRICT MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as		
Present value of fund obligations	2 207 518	2 188 886
Net liability	2 207 518	2 188 886

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017	2016 R	2015 R
Total Liability	1 778 965	1 748 137	1 918 246

Experience adjustments were calculated as follows:

	2018	2017	2016
Liabilities: (Gain) / loss	144 146	127 240	(54 603)
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation (LSA):

	2019	2018
Present value of fund obligation at the beginning of the year	2 118 886	1 778 965
Total expenses	3 119	218 916
Current service cost	178 572	157 642
Interest Cost	165 123	145 753
Benefits Paid	(340 576)	(84 479)
Actuarial losses	85 513	121 005
Present value of fund obligation at the end of the year	2 207 518	2 118 886
Less Transfer of Current Portion - Note 11	(212 244)	(364 538)
Non-current portion	1 995 274	1 754 348

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.208	
General Salary inflation	+1%	2.343	6%
General Salary inflation	-1%	2.084	-6%
Discount rate	+1%	2.080	-6%
Discount rate	-1%	2.350	6%
Average retirement age	-2yr	1.963	-11%
Average retirement age	2yr	2.458	11%
Withdrawal Rate	-50%	2.484	13%

Assumption	Change	Current- service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		178 600	165 100	343 700	
Health care inflation	1%	192 800	175 600	368 400	7%
Health care inflation	-1%	165 800	155 500	321 300	-7%
Discount rate	1%	167 000	173 400	340 400	-1%
Discount rate	-1%	191 700	155 500	347 200	1%
Post-retirement mortality	-2yr	161 400	145 900	307 300	-11%
Average retirement age	2yr	196 200	181 300	377 500	10%
Withdrawal Rate	-50%	224 500	190 100	414 600	21%

The Future-service Cost for the ensuing year is estimated to be R 223 346, whereas the Interest- Cost for the next year is estimated to be R 170 380.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14.3 Ex - Gratia Benefits

The Ex - Gratia plans are defined benefit plans.

Roads

As at year end, the following number of employees were eligible for Ex - Gratia benefits.

2019 R	2018 R
7	9
7	9

Key actuarial assumptions used:

i) Rate of interest

	2019 R	2018 R
Discount rate	8.00%	8.96%
Benefit increase rate (CPI inflation)	4.31%	5.52%
Net Effective Discount Rate	3.54%	3.26%

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 8.00% per annum has been used. The corresponding index-linked yield at this term is 3.54%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 28 June 2019.

ii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Reconciliation of present value of fund obligation (Ex-Gratia):

	2019 R	2018 R
Present value of fund obligation at the beginning of the year	447 980	527 223
Total expenses	(52 253)	(45 153)
Interest Cost	35 083	38 555
Benefits Paid	(87 336)	(83 708)
Actuarial (gains)/losses	(23 331)	(34 090)
Present value of fund obligation at the end of the year	372 396	447 980
<u>Less</u> Transfer of Current Portion - Note 11	(181 422)	(115 321)
Non-current portion	190 974	332 659

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		372 396	
Benefit Increase rate	+1%	380 478	2%
Benefit Increase rate	-1%	364 655	-2%
Discount rate	+1%	364 980	-2%
Discount rate	-1%	380 273	2%
Average retirement age	-1yr	378 702	2%

Assumption	Change	Total Interest Cost (R)	% change
Central Assumption		35 083	
Pension increase rate	1%	36 281	3%
Pension increase rate	-1%	33 944	-3%
Discount rate	1%	37 795	8%
Discount rate	-1%	32 196	-8%
Average retirement age	-1yr	28 540	-19%

The is no Current service cost as there are no in-service members eligible for ex-gratia pension benefits, whereas the Interest Cost for the next year is estimated to be R 22 674.

14.4 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claimed that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT

2019
R

2018
R

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2017 July 2018 revealed that the fund is in a sound financial position with a funding level of 100.3% (1 July 2015 - 100%)

Contributions paid recognised in the Statement of Financial Performance

3 773 811

3 193 472

CONSOLIDATED PENSION FUND FOR LOCAL GOVERNMENT

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2016 - 100%). Whilst this has increased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95%.

Contributions paid recognised in the Statement of Financial Performance

134 998

102 008

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SAMWU PROVIDENT FUND

The contribution rate payable is 7.50% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2015 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance

659 241

617 822

CENTRAL KAROO DISTRICT MUNICIPALITY

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	2019 R	2018 R
15. AGENCY SERVICES		
Commission on Agency services: Department of Transport: Western Cape	4 226 696	3 540 601
The municipality has a service level agreement with the Department of Transport Western Cape for rendering of services regarding the roads function within its area. The commission is calculated at a pre-determined rate.		
16. REVERSAL OF IMPAIRMENT		
Property Plant and Equipment	3 895	58 304
17. OPERATIONAL REVENUE		
Commission	22 599	33 144
Insurance Claims	-	352
Milk Sales	-	23 364
Ramms Admin fee	96 000	95 850
Samples: Milk and Water	84 594	64 854
Samples: Water	-	4 019
Sundry Income	1 252	2 163
	204 445	223 746

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Government Grants and Subsidies - Operational	35 996 646	30 818 037
Capital grants		
Government Grants and Subsidies - Capital	81 521	991 224
	36 078 167	31 809 261
Conditional and Unconditional Government Grants:		
Unconditional grants received	28 502 000	22 595 000
Conditional grants received	7 576 167	9 214 261
	36 078 167	31 809 261
Revenue recognised per vote as required by Section 123(c) of the MFMA		
Equitable share	28 502 000	22 595 000
Public Safety	876 789	1 277 409
Executive and Council	2 530 042	2 714 279
Budget and Treasury	1 580 000	3 558 263
Corporate Services	1 372 155	302 000
Planning and Development	1 217 181	1 362 310
	36 078 167	31 809 261

Conditions still to be met - remain liabilities (see note 5).

The grants relate mainly to multi-year projects.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Local Government Financial Management Grant (FMG)		
Grants received	1 000 000	1 250 000
Conditions met - Operating	(1 000 000)	(1 250 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Doringveld Project

Grants received	-	247 311
Conditions met - Operating	-	247 311
	-	-

Grant utilised for the eradication of alien vegetation. The Municipality is in talks with the National Department of Environmental Affairs to recover the balance.

Other Grants

Balance unspent at beginning of year	2 248 525	801 311
Grants received	6 582 900	9 164 614
Conditions met - Operating	(6 377 056)	(6 726 176)
Conditions met - Capital	(81 521)	(991 224)
	2 372 848	2 248 525

Various grants were received from other spheres of government.

Western Cape Provincial Grants to the amount of R1 542 377 remained unspent as at 30 June 2018.

Approval for the roll-over of R795 269 in terms of the Western Cape Ground Water Monitoring project was received post-year end during August 2018. The balance of the roll-over applications will be submitted as required by legislation on 31 August 2018.

Refer to Appendix E for the detailed disclosure of Grants and Subsidies.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
19. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	31 456 067	28 189 124
Bonuses	2 098 985	2 168 765
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	7 087 863	6 361 881
Housing Benefits and Allowances	301 121	269 191
Overtime payments	1 538 445	1 107 877
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 542 284	1 584 291
Current service cost	154 542	277 812
Leave Provision	438 565	176 747
Provision adjustment - Employee benefits	1 043 565	249 861
	45 661 437	40 385 549
Remuneration of Municipal Manager		
Annual Remuneration	883 757	864 424
Motor Vehicle Allowance	284 000	360 000
Performance Bonuses	153 374	-
Telephone allowance	54 000	45 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	33 256	31 751
Other	84 069	47 751
	1 492 456	1 348 926
Remuneration of the Chief Financial Officer		
Annual Remuneration	545 865	556 184
Motor Vehicle Allowance	166 572	161 955
Performance Bonuses	56 117	-
Telephone allowance	12 000	12 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	150 636	140 669
Other benefits and allowances	76 451	80 597
	1 007 641	951 405
Remuneration of Manager: Corporate Services		
Annual Remuneration	639 346	622 638
Motor Vehicle Allowance	132 000	120 000
Telephone allowance	12 000	12 000
Performance Bonus	53 949	-
Contributions - UIF, Medical, Pension	97 726	104 171
Other Benefits and Allowances	76 451	84 625
	1 011 472	943 434

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Remuneration of Manager: Technical Services		
Annual Remuneration	-	509 879
Motor Vehicle Allowance	-	58 333
Contributions - UIF, Medical, Pension	-	122 138
	-	690 350

The organogram of the Municipality was adjusted and the MFA section 56 position was removed from the organogram.

Remuneration of Manager: Technical Services (Acting)

Acting allowance	-	22 198
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20. REMUNERATION OF COUNCILLORS

Executive Major	872 149	582 304
Executive Committee Members	1 366 410	1 024 287
Councillors	1 420 149	1 943 455
	3 658 708	3 550 046

In-kind benefits

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

21. DEPRECIATION AND AMORTISATION

Property, Plant and Equipment	471 494	455 802
Intangible assets	30 585	23 245
	502 079	479 047

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
22. IMPAIRMENT OF ASSETS		
Impairments		
Property, Plant and Equipment	619	47 636
Due to wear and tear the condition of Property, Plant and Equipment was re-evaluated.		
Loan to CKEDA	-	278 794
In terms of a council resolution the operations of CKEDA ceased. There is no probability that the outstanding amount will be collected and thus council decided to impair the loan to CKEDA. The Board of Directors of CKEDA made a formal decision to deregister CKEDA at a Board meeting held on 17 April 2018.		
Inventories	-	24 455
Due to the current level of the fuel, the remaining content of the tank can no longer be extracted using the standard fuel pumps. In addition the quality of the petrol render is unusable.		
	619	350 885
23. FINANCE COSTS		
Employee benefits	1 655 021	1 678 346
Less: Employee benefits transferred to Roads	(926 427)	(958 472)
Finance leases	10 131	14 916
	738 725	734 790

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
24. OPERATIONAL COST		
Accounting Services	1 025 900	1 274 341
Administration costs - Roads	4 860 300	4 043 250
Advertising	80 261	55 591
Auditors remuneration	2 526 944	2 151 128
Bank charges	17 795	5 559
Computer expenses	632 837	535 858
Department of Transport -Road Service Charges	56 040	-
Electricity, Water and Sanitation	549 916	621 290
Enterprise Management System	2 308 658	812 402
Catering services	91 665	81 094
Entertainment: Mayor	330	11 276
FMG Grant Expenditure - General	346 048	275 669
Fire Extinguishers	5 365	12 043
Fuel and oil	37 346	48 917
Household Expenses	45 387	36 526
Implement Projects	-	5 463
Insurance	119 729	127 911
Internal Auditing	244 588	198 303
Legal Expenses	137 302	188 552
Membership Fees	561 664	506 330
Penalties & Interest SARS	-	72 963
Performance Management	100 336	101 836
Printing and stationery	450 791	317 216
Rates	141 345	145 251
Registration and Congress Fees	7 305	28 565
Laboratory services	294 480	199 141
Study support & bursaries	38 410	44 589
Sundry Expenditure	442 871	499 486
Sundry Projects	3 851 981	3 592 201
Telephone and Fax	527 034	579 625
Training	16 653	48 078
Training Fund	442 324	578 993
Travel and Subsistence	1 480 659	1 205 161
Travel and Subsistence: Council	713 719	749 248
Vehicle licences	3 699	6 012
Western Cape Grant Expenditure	1 164 310	1 593 571
Workmen's Compensation Contributions	25 432	252 699
	23 349 424	21 006 138

25. SETTLEMENT BY NATIONAL TREASURY

The auditor General - Audit fees over and above 1% contributed by National Treasury	1 520 351	1 439 698
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As per GRAP 23 par 99-107 the above transactions are regarded as services in kind.

26. AUDITORS' REMUNERATION

Fees	2 526 944	2 151 128
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CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
27. CASH (USED IN) GENERATED FROM OPERATIONS		
Surplus (deficit)	4 225 386	(920 997)
Adjustments for:		
Depreciation and amortisation	502 079	479 047
(Gain)/Loss on disposal of assets and liabilities	(51 564)	15 885
Contribution to provisions – bad debt	(88 462)	12 618
PPE donations	-	(471 000)
Interest on employee benefits	1 655 021	1 678 346
Reversal of impairment loss	(3 895)	(58 304)
Impairment written off	-	278 794
Debt impairment	619	72 091
Contribution to current employee benefits	2 756 543	2 300 935
Benefits paid current employee benefits	(2 697 485)	(1 984 215)
Contribution to non-current employee benefits	389 159	507 492
Benefits paid non-current employee benefits	(1 247 727)	(1 063 448)
Actuarial (Gains)/Losses	(2 976 629)	(1 133 722)
Non - cash movement employee benefits	1 043 565	249 861
Grant received	36 084 900	33 256 925
Grant expenditure	(36 078 167)	(30 881 692)
Changes in working capital:		
Inventory	(329 293)	161 911
Receivables from exchange transactions	(2 373 132)	3 333 078
Receivables from non-exchange transactions	453 839	85 584
Payables from exchange transactions	(1 678 789)	1 121 189
Increase in taxes	396 290	(304 294)
	(17 742)	6 736 084

28. LOAN TO CKEDA

Controlling entity

Opening balance	-	-
Contribution toward loan	-	278 794
Impairment	-	(278 794)
	-	-

The entity was deregistered on 17 April 2018.

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
29. PRIOR PERIOD ERRORS		
Corrections were made during the previous financial years. Details of the corrections are described below:		
Property Plant and Equipment		
Balance previously reported		8 023 781
First time recognition of assets		31 060
Derecognise Roads assets		35 596
Restated Balance		8 090 437
Taxes		
Balance previously reported		737 801
Vat portion of expense recognised in wrong period		782
2017/2018 Provisions not recognised		281
Restated Balance		738 864
Inventory		
Balance previously reported		651 300
The amount of inventory written off was overstated		1 348
Restated Balance		652 648
Payables from exchange transactions		
Balance previously reported		6 717 228
Expense recognised in the wrong period		5 999
2017/2018 Provisions not recognised		30 976
Restated Balance		6 754 203
Depreciation and amortisation		
Balance previously reported		526 809
First time recognition of assets		2 931
Derecognise Roads assets		(50 693)
Restated Balance		479 047
Impairment		
Balance previously reported		352 233
The amount of inventory written off was overstated		(1 348)
Restated Balance		350 885
Operational cost		
Balance previously reported		21 041 867
Expense recognised in the wrong period		5 217
First time recognition of assets		(33 991)
2017/2018 Provisions not recognised		5 663
Restated Balance		21 018 756
Inventory consumed		
Balance previously reported		11 410 717
2017/2018 Provisions not recognised		25 033
Derecognise Roads assets		13 478
Restated Balance		11 449 228

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Unpaid Conditional Government Grants and Receipts		
Balance previously reported		1 172 031
Grant expense reclassified to Employee cost		(882 450)
Restated Balance		289 581
Employee Related Cost		
Balance previously reported		39 503 099
Grant expense reclassified to Employee cost		882 450
Restated Balance		40 385 549
Intangible asset		
Balance previously reported		83 464
Derecognise Roads assets		1 619
Restated Balance		85 083

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

	Balance Previously reported	Adjustments	Restated Balance
Agency Services	3 540 601	-	3 540 601
Department of Transport - Roads	42 478 676	-	42 478 676
Interest Received	513 228	-	513 228
Licences and Permits	32 060	-	32 060
Operational Revenue	223 746	-	223 746
Rental from Fixed Assets	87 109	-	87 109
Contributed Property	471 000	-	471 000
Settlement by National Treasury	1 439 698	-	1 439 698
Government Grants & Subsidies	31 809 261	-	31 809 261
Employee Related Cost	(39 503 099)	-	(39 503 099)
Remuneration of Councillors	(3 550 046)	-	(3 550 046)
Contracted Services	(4 724 215)	-	(4 724 215)
Depreciation and Amortisation	(526 809)	-	(526 809)
Impairment	(352 233)	-	(352 233)
Finance Cost	(734 790)	-	(734 790)
Operational Cost	(23 634 450)	2 592 583	(21 041 867)
Inventory Consumend	(8 818 134)	(2 592 583)	(11 410 717)
Loss on Disposal of Assets & Liabilities	(15 885)	-	(15 885)
Actuarial Gains/(Losses)	1 133 722	-	1 133 722
Reversal of Impairment Losses	58 304	-	58 304
	(72 256)	-	(72 256)

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
30. UNAUTHORISED EXPENDITURE		
Opening balance	6 854 904	2 003 611
Current year - Operating	495 377	4 851 293
	7 350 281	6 854 904

2019 Unauthorised expenditure for the year can be summarised as follow:

	Budget Expenditure (R)	Actual Expenditure (R)	Variance (R)	Recalculate Unauthorised (R)
Budget and Treasury	12 347 089	12 346 110	979	
Corporate Services	12 659 254	9 297 529	3 361 725	
Public Safety	2 007 169	1 881 821	125 348	
Executive and Council	11 574 895	10 432 913	1 141 982	
Health	4 370 828	3 463 120	907 708	
Planning and Development	6 113 158	4 029 972	2 083 186	
Road Transport	58 580 242	59 075 619	(495 377)	(495 377)
Total	107 652 635	100 527 084	7 125 551	(495 377)

2018 Unauthorised expenditure for the year can be summarised as follow:

	Budget Expenditure (R)	Actual Expenditure (R)	Variance (R)	Recalculate Unauthorised (R)
Budget and Treasury	13 498 224	12 731 708	766 516	-
Corporate Services	7 121 973	8 732 124	(1 610 151)	(1 610 151)
Public Safety	1 986 848	1 241 158	745 690	
Executive and Council	11 279 222	11 028 590	250 632	
Health	3 350 256	3 245 137	105 119	
Planning and Development	3 491 390	3 616 660	(125 270)	(125 270)
Road Transport	39 034 368	42 150 240	(3 115 872)	(3 115 872)
	-	-	-	
Total	79 762 281	82 745 617	(2 983 336)	(4 851 293)

31. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	165 885	92 886
Current year	-	72 999
	165 885	165 885

Details of fruitless and wasteful expenditure

PAYE, UIF & SDL Interest and Penalties	-	47 180
VAT Interest and Penalties	-	14 584
Workmen's Compensation Interest and Penalties	-	11 235
	-	72 999

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
No criminal proceedings or disciplinary steps were taken. Fruitless and wasteful expenditure will be treated in terms of section 32 of the MFMA.		
32. IRREGULAR EXPENDITURE		
Opening balance	15 769 687	12 794 185
Current year	8 403 535	2 975 502
Less: Amounts condoned	(35 650)	-
	24 137 572	15 769 687

Details of irregular expenditure – current year

Section 46(2) - Lease agreement entered into without Resolution from Council	30 158	27 645
LG SETA project - Tender CKDM 14 - 2013/2014	7 611 939	2 668 468
Non-compliance with Supply Chain Management Policy	-	279 389
SCM Regulation 44 - person in service of state	169 778	-
Continuation of contract after tender expire	591 660	-
	8 403 535	2 975 502

Recoverability, condonement and disciplinary steps of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Deviations from the SCM Policy and Regulations were made during the year. The deviations have been submitted to Council as required by Regulation 36(2) of the SCM Regulations.

2019	Between R30 000 and R200 000	Up to R30 000
Emergency	-	31 894
Impractical	669 981	2 015 525
Sole Supplier	1 346 295	1 453 947
	-	-
	2 016 276	3 501 366
2018	Between R30 000 and R200 000	Up to R30 000
Emergency	4 415	38 715
Impractical	4 237 337	948 434
Sole Supplier	-	279 389
	4 241 752	1 266 538

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2019 R	2018 R
The ten major deviations, in total, for the current financial year were as follows:			-
Barloworld	Agent for the supply of CAT parts and services		796 565
Bell Equipment Sales Limited	Agent for the supply of Bell Equipment parts and services		527 811
Engen Truck Stop Beaufort West	Only supplier that we have an account with		466 292
Hino George	Agent for the supply of Hino parts and services		277 382
Komatsu South Africa (Pty Ltd	Agent for the supply of Komatsy parts and services		233 857
Arctipoint (Pty)/Ltd t/a Civil Designer South Africa	Sole Distributor of the software		231 265
Babcock International Group Africa Division	Agent for the supply of Volvo parts and services		211 666
Murraysburg Vulstasie	Only supplier that we have an account with		193 502
Trentyre Beaufort West	Only alternative supplier		177 976
Short's Nissan	Only alternative supplier		160 030
			3 276 346
The ten major deviations, in total, for the previous financial year were as follows:			-
South Cape Petroleum (Pty) Ltd	Only alternative supplier		402 200
Engen Truckstop Beaufort West	Only supplier that we have an account with		319 842
Adapt IT (Caseware)	Only alternative supplier		279 389
National Garage	Only supplier that we have an account with		218 715
Laingsburg Diensstasie	Only supplier that we have an account with		206 914
Murraysburg Vulstasie	Only supplier that we have an account with		195 596
ELB Equipment, a division of ELB Equipment Holdings (Pty) Ltd	Agent for the supply of ELB Equipment parts and services		169 507
Bell Equipment SA Sales Limited	Agent for the supply of Bell Equipment parts and services		160 841
Komatsu South Africa (Pty) Ltd	Agent for the supply of Komatsy parts and services		158 912
Klein Karoo Agri Edms Beperk	Only alternative supplier		152 673
			2 264 589

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
33. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government - [MFMA 125 (1)(c)] - SALGA		
Current year subscription / fee	500 000	475 000
Amount paid - current year	(500 000)	(475 000)
	-	-
Audit fees - [MFMA 125 (1)(c)]		
Opening balance	5 217	-
Current year subscription / fee	2 526 744	2 145 911
Correction of prior period error	-	5 217
Amount paid - current year	(1 011 610)	(706 214)
Amount paid - previous years	(1 520 351)	(1 439 697)
	-	5 217
PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	480 607	417 845
Current year payroll deductions and Council Contributions	6 813 556	5 823 006
Amount paid - current year	(6 711 815)	(5 760 244)
	582 348	480 607
Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	9 602 377	5 566 497
Amount paid - current year	(9 602 377)	(5 566 497)
	-	-
VAT - [MFMA 125 (1)(c)]		
VAT receivable	342 574	738 864

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Councillors' outstanding debt to municipality		
The following Councillors and former Councillors had arrear amounts outstanding for more than 90 days at 30 June 2019:		
Councillor MS Hangana	32 414	32 414
Councillor J Bostander	46 714	46 714
Councillor M Furmen	22 552	22 552
Councillor S Botes	617	1 753
Councillor EZ Njado	47 753	49 336
Councillor G De Vos	14 921	15 860
Councillor S Nortjie	-	(1)
Councillor AD Willemse	-	1 990
Councillor J Jonas	4 515	4 615
Councillor T Prince	439	2 939
Councillor GP Adolph	2 511	2 511
Councillor N Constable	-	257
Councillor C Simpson	2 986	-
Councillor MA Tsam	15 008	-
	190 430	180 940

34. ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
35. FINANCIAL INSTRUMENTS DISCLOSURE		
In accordance with GRAP 104 the Financial Instruments of the Municipality are classified as follows:		
Financial assets		
All the Financial Instruments are at amortised cost.		
Receivables	7 003 808	5 084 515
Government subsidies and grants	289 581	289 581
Call deposits	5 939 345	4 585 551
Bank balances	1 163 318	3 521 476
Cash floats and advances	1 300	1 300
	14 397 352	13 482 423

Financial liabilities

All the Financial Instruments are at amortised cost.

Non-current Capitalised Lease Liability	20 668	90 170
Trade creditors	2 019 434	4 564 130
Sundry creditors	987 997	230 887
Creditors roads	1 975 391	1 838 375
Debtors with credit balances	38 306	83 836
Government subsidies and grants	2 372 849	2 538 004
Current capitalised lease liability	69 502	67 409
	7 484 147	9 412 811

36. FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Current assets exceeded current liabilities with the current ratio being 1.37 (2019)

Current assets exceeded current liabilities with the current ratio being 1.11 (2018)

Liquidity ratio of 1.19 (2019)

Liquidity ratio of 0.98 (2018)

Accumulated surplus of R6 345 957 (2019)

Accumulated surplus of R2 120 572 (2018)

The definition of a going concern is that no reason to believe that an institution will have to close down or liquidated in the foreseeable future and at least, but not limited to 12 months. The financial statements for this Municipality has been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

These annual financial statements have been prepared on a going concern basis.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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37. CONTINGENT LIABILITY**CKDM//DEPARTMENT OF TRANSPORT AND PUBLIC WORKS -
WESTERN CAPE GOVERNMENT**

Case no: 550/19

PA 190415 - 18 August 2016,

Ford Bakkie swept away in river current: R139 025.52

Case no: 222/19

PA 180 217 & PA 180 220 - 14 April 2016,

Collision of Swartberg Pass

Both claims are being opposed by the Municipality and further engagement will be taking place in terms of Section 41 of the Constitution 1996, Section 40(b) of intergovernmental regulation framework Act, 2005 and clause 29 of the Agreement.

**CKDM // CAPX INVOICE DISCOUNTING (PTY) LTD HIGH COURT CASE
NO: 6615/2017**

CKDM has been summonsed by the Plaintiff for payment of the amount of R 2 000 000, alternatively R 1 000 000. The cause of the action relates to the LGSETA project, in terms of which the implementing agent (Africa Creek) ceded its rights in terms of the Turnkey Service Level Agreement between CKDM and Africa Creek to CAPX Invoice Discounting (Pty) Ltd. The Plaintiff now wishes to enforce its rights in terms of the Session Agreement for monies which is due to them by Africa Creek.

This claim is being defended by CKDM on the basis that the Turnkey Service Agreement between itself and Africa Creek has been validly terminated and that there is accordingly no funds payable to Africa Creek. The prospects in defending this claim is very good and there has been no movement on this matter for almost over a year now.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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CKDM & AFRICA CREEK // ENTREPRENEURIAL BUSINESS SCHOOL (PTY) LTD / CB WILLIAMS TRAINING CC / BRIGHT IDEA PROJECTS 447 (PTY) LTD

The Plaintiff's cause of action against CKDM also relates to the LGSETA project, where Africa Creek was appointed as implementing agent and Africa Creek failed to pay the three Plaintiffs (Training Providers), monies which was due to the Plaintiff.

This claim has been defended by CKDM on the basis that Africa Creek is the party that is responsible for the payment of the Training Providers and not CKDM.

A summons was served on CKDM on 2 February 2018, the total amount being:

Entrepreneurial Business School (First Plaintiff)	R 318 000
CM Williams Training CC (Second Plaintiff)	R 397 500
Bright Ideas Projects 447 (Pty) Ltd (Third Plaintiff)	R 363 000

The outcome of the case is uncertain as the Plaintiffs are holding CKDM accountable on the basis that they are the Principal and Africa Creek was the Agent .

The plaintiffs have now lodged an application for condonation which will be heard in the High Court during August/September 2019..

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
38. FINANCIAL RISK MANAGEMENT		
Financial risk management		
The Municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.		
The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.		
Foreign exchange currency risk		
The Municipality does not engage in foreign currency transactions.		
Price risk		
The Municipality's is not exposed to price risks.		
Interest rate risk		
As the Municipality has interest-bearing liabilities, the Municipality's income and operating expenditure are substantially dependent on changes in market interest rates.		
The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.		
The Municipality did not hedge against any interest rate risks during the current year.		
Cash and Cash Equivalants	7 103 963	8 108 327
Long Term Finance Lease Obligation	(20 170)	(90 170)
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2018 + 0.5%) Increase in interest rates	70 838	80 182
0.5% (2018 - 0.5%) Decrease in interest rates	(35 419)	(40 091)

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash or the availability of funding through proper budgeting.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	73 843	20 895	-	-
- Capital repayments	69 502	20 668	-	-
- Interest	4 341	277	-	-
Trade and other payables	5 021 128	-	-	-
Unspent conditional government grants and receipts	2 372 849	-	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	77 539	94 717	-	-
- Capital repayments	67 408	90 170	-	-
- Interest	10 131	4 547	-	-
Trade and other payables	6 717 228	-	-	-
Unspent conditional government grants and receipts	2 538 552	-	-	-

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
Credit risk		
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.		
Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.		
No receivables are pledged as security for financial liabilities.		
The municipality only deposits cash with major banks with high quality credit standing. Unspent government grants have to be cash backed, and as a result R2 538 556 are pledged as security for financial liabilities. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure disclosed below.		
The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank, Nedbank and ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.		
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment.		
Financial assets exposed to credit risk at year end are as follows:		
Receivables from non-exchange transactions	1 520 751	1 974 590
Cash and Cash Equivalents	7 103 963	8 108 327
Unpaid conditional grants and subsidies	289 581	289 581
Receivables from exchange transaction	5 483 057	3 109 925

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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39. BUDGET VS ACTUAL INFORMATION

Explanation of variances between final budget and actual amount:

STATEMENT OF FINANCIAL PERFORMANCE

A - Acceptable difference

B - Department of Transport + Permits and Licenses + Operational Revenue budget = R58 954 947. Actual is R 58 978 440, resulting in a R32 493 difference which is a 0% difference.

C - Downward adjustment made after Provincial Treasury queried realistically anticipated revenue. Original deviation would have been 6%. Acceptable difference - slightly lower interest received than expected.

D - 9% -Acceptable difference.

E - 17% WOZA Grant of R 1000 000 unspent and Total System Grant of R763 819 was more than allocated. Unspent Grant was not budgeted for. 1% National Treasury Audit Support was also not fully Utilized.

F - 11% Actuarial provisions included in Employee cost Budget.

G - 8% Acceptable difference.

H - Total budget: R54 180 613, Actual: R50 291 562, Variance: R 3 889 051, resulting in a 7 % difference. The budget was done as a combined expectation as mSCOA chart changes remained a challenge. Actual expenditure on Roads driven by cost drivers as projects evolve.

I - Asset acquisition timing impacted on expected depreciation charged.

J - Immaterial amount.

K - Replacement of the Sound System in Council Chambers.

L - Immaterial amount.

M - Positive movement on debtors expectation of repayment.

STATEMENT OF FINANCIAL POSITION

N -Stock balance at year end greater than predicted

O - Roads May and June invoice was still outstanding from Western Cape Provincial Department of Roads.

P - Settlements made earlier than anticipated

Q - Remaining balance on LGSETA not budgeted for as project should have been finalised.

R - VAT receivable not budgeted

S - Strict cashflow management and budget control impacted positively on cash balance. Unspent conditional grant must also be cash backed. Cashflow management resulted in a lower outstanding creditor balance than predicted.

T - Employee benefit movement, actuarial movements unpredictable because of external factors impacting on variables used in calculation.

U - Cost of Microsoft licences increased significantly.

V - No new finance leases entered into as Council approval was awaited.

CASH FLOW STATEMENT

W - 4%difference is acceptable.

X - 7% difference is acceptable.

Y - 2% difference is acceptable.-

Z - The interest amount relates to leases and is not a material amount.

AA - 10% difference is acceptable.

BB - Error in budget

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. RELATED PARTIES**Related Party transactions with the Central Karoo Economic Development Agency.**

Additions to loan	-	278 794
Impairment of loan	-	(278 794)
CKEDA was depended on fund from CKDM as the company was effectively dormant.		

Included in other receivables are outstanding money(s) to be recovered from Councillors, and Mayor, due upper limits changes and travel and lodging claimed, but not spent:

Councillor MS Hangana	32 414	32 414
Councillor J Bostander	46 714	46 714
Councillor M Furmen	22 552	22 552
Councillor S Botes	617	1 753
Councillor EZ Njado	47 753	59 336
Councillor G de Vos	14 921	15 860
Councillor S Nortjie	-	(1)
Councillor AD Willemse	-	1 990
Councillor J Jonas	4 515	4 615
Councillor T Prince	439	2 939
Councillor GP Adolph	2 511	2 511
Councillor N Constable	-	257
Councillor C Simpson	2 986	-
Councillor MA Tsam	15 005	-

Related party loans

The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of Central Karoo District Municipality:

- Municipal Manager

Compensation of key management personnel

The compensation of key management personnel is set out in note 19 to the Annual Financial Statements.

Municipal Manager
Chief Financial Officer
Head: Corporate Services

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Current Employee Benefits

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management.

2019

	Staff Leave Obligation	Staff Bonus Obligation	Travel and Subsistence	Total
Municipal Manager	5 367	151 012	160 056	316 435
Chief Financial Officer	28 511	108 628	106 719	243 858
Head: Corporate Services	44 156	108 628	111 795	264 579
	78 034	368 268	378 570	824 872

2018

	Staff Leave Obligation	Staff Bonus Obligation	Travel and Subsistence	Total
Municipal Manager	7 450	128 635	218 421	354 506
Chief Financial Officer	10 442	95 149	111 277	216 868
Head Corporate Services	12 603	95 149	113 277	221 029
Head Technical Services	-	-	73 160	73 160
	30 495	318 933	516 135	865 563

APPENDIX A
CENTRAL KAROO DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
LEASE LIABILITY						
Richo MP 301 SP	13.00%	30/06/2019	3 410	-	(3 410)	-
Ricoh MPC 2003 SP	13.00%	21/03/2021	39 893	-	(14 253)	25 640
Ricoh MPC 6003 SP	13.00%	26/09/2020	58 065	-	(24 287)	33 778
Nashau E 337M320248	10.50%	31/06/2020	11 242	-	(5 092)	6 150
Nashua E 337M320229	10.50%	31/06/2020	11 242	-	(5 092)	6 150
Nashua E 337M320249	10.50%	31/06/2020	11 242	-	(5 092)	6 150
Nashau E 337M320230	10.50%	31/06/2020	11 242	-	(5 092)	6 150
Nashua E 337M320252	10.50%	31/06/2020	11 242	-	(5 092)	6 150
TOTAL EXTERNAL LOANS			157 578	-	(67 408)	90 170

APPENDIX B - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATION

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
2 810 129	(6 206 250)	(3 396 121)	Municipal Manager	6 455 463	(3 749 158)	2 706 305
15 064 000	(4 822 340)	10 241 660	Council general expenses	28 972 000	(6 683 755)	22 288 245
12 647 344	(12 731 708)	(84 364)	Financial services	3 266 871	(12 458 635)	(9 191 764)
6 111 459	(8 742 124)	(2 630 665)	Corporate services	5 181 171	(9 297 528)	(4 116 357)
1 362 310	(3 606 660)	(2 244 350)	Planning and development	1 217 181	(4 029 972)	(2 812 790)
36 079	(3 245 137)	(3 209 058)	Health	30 155	(3 463 120)	(3 432 965)
1 277 409	(1 241 158)	36 251	Public safety	876 788	(1 881 821)	(1 005 033)
42 478 676	(42 150 240)	328 436	Road transport	58 752 840	(58 963 095)	(210 255)
81 787 406	(82 745 619)	(958 212)	Total	104 752 470	(100 527 083)	4 225 387

APPENDIX C - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
17 874 129	(11 028 590)	6 845 539	Executive and council	35 427 463	(10 432 913)	24 994 550
12 647 344	(12 731 708)	(84 364)	Budget and treasury	3 266 871	(12 458 635)	(9 191 764)
6 111 459	(8 732 124)	(2 620 665)	Corporate Services	5 181 171	(9 297 528)	(4 116 357)
1 362 310	(3 616 660)	(2 254 350)	Planning and Development	1 217 181	(4 029 972)	(2 812 790)
36 079	(3 245 137)	(3 209 058)	Health	30 155	(3 463 120)	(3 432 965)
1 277 409	(1 241 158)	36 251	Public Safety	876 788	(1 881 821)	(1 005 033)
42 478 676	(42 150 240)	328 436	Road Transport	58 752 840	(58 963 095)	(210 255)
81 787 406	(82 745 618)	(958 212)	Total	104 752 470	(100 527 083)	4 225 387

APPENDIX D - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2019
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals/ Impairment	Closing Balance	
Executive and council	2 419 191	-	281 227	(40 541)	2 659 876	820 407	-	78 308	(36 906)	859 810	1 800 067
Finance and administration	3 508 473	-	502 464	-	4 010 936	2 080 594	-	137 266	(1 597)	2 216 263	1 794 673
Public safety	4 792 676	-	101 606	-	4 894 282	1 749 137	-	256 873	(380)	2 005 631	2 888 651
Road transport	2 896 000	-	-	-	2 896 000	842 682	-	20 697	-	863 379	2 032 621
Environmental protection	173 921	-	33 918	-	207 839	121 924	-	10 935	(93)	132 767	75 072
	13 790 261	-	919 214	(40 541)	14 668 934	5 614 744	-	502 079	(38 975)	6 077 849	8 591 085

APPENDIX E - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2018	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2019	Unspent 30 June 2019 (Creditor)	Unpaid 30 June 2019 (Debtor)
National Government Grants								
Equitable Share	-	28 502 000	-	(28 502 000)	-	-	-	-
Finance Management Grant	-	1 000 000	-	(1 000 000)	-	-	-	-
EPWP	(270 852)	1 013 000	-	(1 013 000)	-	(270 852)	-	(270 852)
Rural Asset Management Grant (RAMS)	(18 728)	1 920 000	-	(1 920 000)	-	(18 728)	-	(18 728)
Total National Government Grants	(289 580)	32 435 000	-	(32 435 000)	-	(289 580)	-	(289 580)
Provincial Government Grants								
FMG - PMS	21 209	-	(21 209)	-	-	-	-	-
Drought Relief Support	6 918	-	(6 918)	-	-	0.11	0	-
Fire Brigade Capacity Building	144 313	-	(144 313)	-	-	-	-	-
Fire Brigade Capacity Building	81 521	-	-	-	(81 521)	-	-	-
Ground Water Level Monitoring	795 267	-	-	(795 267)	-	-	-	-
FMG Graduate Internship Programme	51 340	72 000	-	(65 362)	-	57 957	57 958	-
FMG Capacity building grant (Bursaries)	46 808	360 000	-	(140 042)	-	266 766	266 766	-
WCFMSG Internal Audit and Risk Management	395 000	-	-	(4 181)	-	390 819	390 819	-
WCFMSG Mscosa	-	280 000	-	(280 000)	-	-	-	-
WOSA	-	1 000 000	-	-	-	1 000 000	1 000 000	-
FMG ERM System	-	173 000	-	-	-	173 000	173 000	-
FMG PDO	-	200 000	-	(200 000)	-	-	-	-
FMG AFS Assistance	-	300 000	-	(300 000)	-	-	-	-
Improvement of assurance services	-	470 000	-	(470 000)	-	-	-	-
FMG Audit System	-	200 000	-	-	-	200 000	200 000	-
Total Provincial Government Grants	1 542 376	3 055 000	(172 440)	(2 254 873)	(81 521)	2 088 542	2 088 542	-
Other Grant Providers								
CHIETA	675 945	594 900	-	(1 188 323)	-	82 522	82 522	-
LG SETA	320 234	-	-	(118 450)	-	201 784	201 784	-
Total Other Grant Providers	996 179	594 900	-	(1 306 773)	-	284 306	284 306	-
Total Grants	2 248 975	36 084 900	(172 440)	(35 996 646)	(81 521)	2 083 268	2 372 849	(289 580)

MUN - Reconciliation of Table A1 Budget Summary

Description	2018/19							2017/18
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
R thousands								
Financial Performance								
Property rates	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-
Investment revenue	700	-	700	747	47	106.6%	106.6%	513
Transfers recognised - operational	35 883	6 259	42 142	36 078	(6 064)	85.6%	100.5%	31 809
Other own revenue	45 314	(30)	45 284	67 928	22 644	150.0%	149.9%	48 273
Total Revenue (excluding capital transfers and contributions)	81 897	6 229	88 126	104 752	16 626	118.9%	0.0%	80 595
Employee costs	47 419	(493)	46 926	45 661	(1 265)	97.3%	96.3%	40 386
Remuneration of councillors	4 032	(75)	3 957	3 659	(298)	92.5%	90.8%	3 550
Debt impairment	-	-	-	1	1	-	-	-
Depreciation & asset impairment	432	54	486	502	16	103.3%	116.2%	479
Finance charges	-	-	-	739	739	0.0%	0.0%	-
Materials and bulk purchases	66	1 839	1 905	-	(1 905)	0.0%	0.0%	-
Transfers and grants	-	-	-	-	-	#DIV/0!	0.0%	-
Other expenditure	28 535	4 884	33 419	49 966	16 547	149.5%	175.1%	37 102
Total Expenditure	80 483	6 209	86 692	100 527	13 835	0.0%	124.9%	81 516
Surplus/(Deficit)	694	195	889	4 225	3 336	0.0%	606.5%	(921)
Transfers recognised - capital	1 414	20	1 434	-	(1 434)	0.0%	0.0%	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1 414	20	1 434	4 225	2 791	294.7%	298.8%	(921)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	0.0%	-
Surplus/(Deficit) for the year	1 414	20	1 434	4 225	2 791	294.7%	0.0%	(921)
Capital expenditure & funds sources								
Capital expenditure	1 015	480	1 495	881	(613)	59.0%	86.8%	
Transfers recognised - capital	915	-	915	881	(34)	96.3%	96.3%	895
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	100	-	100	-	(100)	0.0%	0.0%	441
Total sources of capital funds	1 015	480	1 495	881	(613)	0.0%	86.8%	1 336
Cash flows								
Net cash from (used) operating	1 846	(20)	1 826	(18)	(1 844)	-1.0%	-1.0%	6 736
Net cash from (used) investing	(1 015)	-	(1 015)	(919)	96	90.6%	90.6%	1 633
Net cash from (used) financing	106	-	106	(67)	(173)	-	-	(17)
Cash/cash equivalents at the year end	3 925	(20)	3 905	7 104	3 199	181.9%	181.0%	(8 108)

MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2018/19							2017/18
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
	1	2	3	4	6	7	8	12
Revenue - Standard								
<i>Governance and administration</i>	40 904	6 690	47 594	43 876	(3 718)	-7.8%	107.3%	36 633
Executive and council	35 742	377	36 120	34 957	(1 162)	-3.2%	97.8%	17 874
Finance and administration	5 162	5 643	10 804	8 448	(2 356)	-21.8%	163.7%	18 759
Internal audit	-	670	670	470	(200)	-	-	-
<i>Community and public safety</i>	43	867	910	907	(3)	-0.3%	2121.5%	1 313
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	-	877	877	877	0.34	0%	-	1 277
Housing	-	-	-	-	-	-	-	-
Health	43	(10)	33	30	(3)	-7.9%	70.5%	36
<i>Economic and environmental services</i>	40 950	19 776	60 726	59 970	(756)	-1.2%	146.4%	43 841
Planning and development	-	1 767	1 767	1 217	(550)	-	-	1 362
Road transport	40 950	18 009	58 959	58 753	(206)	-0.3%	143.5%	42 479
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-
Total Revenue - Standard	81 897	27 333	109 230	104 752	(4 477)	-4.1%	127.9%	81 787
Expenditure - Standard								
<i>Governance and administration</i>	28 452	7 880	36 332	32 202	(4 130)	-11.4%	113.2%	33 374
Executive and council	8 283	1 220	9 504	9 298	(206)	-2.2%	112.2%	10 614
Finance and administration	19 777	6 080	25 856	21 769	(4 087)	-15.8%	110.1%	22 347
Internal audit	392	580	972	1 135	163	16.8%	0.0%	414
<i>Community and public safety</i>	6 440	(62)	6 378	5 345	(1 033)	-16.2%	83.0%	4 486
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	1 583	424	2 007	1 882	(125)	-6.2%	118.8%	1 241
Housing	-	-	-	-	-	-	-	-
Health	4 856	(485)	4 371	3 463	(908)	-20.8%	71.3%	3 245
<i>Economic and environmental services</i>	45 434	19 201	64 635	62 980	(1 655)	-2.6%	138.6%	44 847
Planning and development	3 226	2 829	6 055	4 030	(2 025)	-33.4%	124.9%	2 734
Road transport	42 208	16 372	58 580	58 950	370	0.6%	139.7%	42 113
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	157	(42)	115	65	(50)	-	-	-
Total Expenditure - Standard	80 483	26 977	107 461	100 527	(6 819)	-6.3%	104.0%	82 708
Surplus/(Deficit) for the year	1 414	355	1 769	4 225	2 341	2.2%	23.9%	(921)

MUN - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2018/19							2017/18
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Revenue by Vote								
Vote 1 - Municipal Manager	35 742	2 622	38 657	35 427	(3 229)	91.6%	99.1%	19 236
Vote 2 - Finance	5 100	180	4 480	3 267	(1 213)	72.9%	64.1%	12 647
Vote 3 - Corporate Services	104	292	7 134	7 305	171	102.4%	7007.5%	7 425
Vote 4 - Technical Services	40 950	18 009	58 959	58 753	(206)	99.7%	143.5%	42 479
Total Revenue by Vote	81 897	21 103	109 230	104 752	(4 477)	366.6%	7314.1%	81 787
Expenditure by Vote to be appropriated								
Vote 1 - Municipal Manager	13 401	2 644	17 630	14 463	(3 167)	82.0%	107.9%	13 763
Vote 2 - Finance	11 501	1 203	12 371	12 459	87	100.7%	108.3%	12 731
Vote 3 - Corporate Services	14 876	(717)	19 271	14 642	(4 629)	76.0%	98.4%	14 101
Vote 4 - Technical Services	40 705	18 030	58 580	58 963	383	100.7%	144.9%	42 113
Total Expenditure by Vote	80 483	21 160	80 632	100 527	(7 326)	359.4%	459.5%	82 708
Surplus/(Deficit) for the year	1 414	(57)	28 598	4 225	4 225	422538565.0%	422538565.0%	(921)

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2018/19							2017/18
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Revenue By Source								
Property rates	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	100	(20)	80	73	(7)	90.9%	72.7%	87
Interest earned - external investments	700	(100)	600	747	147	124.4%	106.6%	513
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	32
Agency services	3 947	426	4 374	4 227	(147)	96.6%	107.1%	3 541
Transfers recognised - operational	35 883	9 256	45 139	35 997	(9 143)	79.7%	100.3%	31 809
Other revenue	41 267	17 688	58 955	63 628	4 673	107.9%	154.2%	44 613
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	81 897	27 251	109 148	104 671	(4 477)	95.9%	127.8%	80 595
Expenditure By Type								
Employee related costs	47 419	1 832	49 251	45 661	(3 589)	92.7%	96.3%	40 386
Remuneration of councillors	4 032	(21)	4 012	3 659	(353)	91.2%	90.7%	3 550
Debt impairment	-	-	-	-	-	-	-	-
Depreciation & asset impairment	432	(23)	410	502	92	122.6%	116.1%	479
Finance charges	-	-	-	739	739	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-
Other materials	66	1 844	1 909	-	(1 909)	0.0%	0.0%	-
Contracted services	1 406	4 047	5 453	13 127	7 674	240.7%	933.6%	4 724
Transfers and grants	-	-	-	-	-	-	-	-
Other expenditure	27 128	19 690	46 819	36 839	(9 980)	78.7%	135.8%	32 378
Loss on disposal of PPE	-	-	-	-	-	-	-	-
Total Expenditure	80 483	27 369	107 853	100 527	(7 326)	93.2%	124.9%	81 516
Surplus/(Deficit)	1 414	(118)	1 295	4 144	2 848	319.9%	293.1%	(921)
Transfers recognised - capital	-	82	82	82	-	100.0%	0.0%	-
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1 414	(37)	1 377	4 144	2 767	301.0%	0.0%	(921)
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	1 414	(37)	1 377	4 144	2 767	301.0%	293.1%	(921)
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	1 414	(37)	1 377	4 144	2 767	301.0%	293.1%	(921)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1 414	(37)	1 377	4 144	2 767	301.0%	293.1%	(921)

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2018/19							2017/18
	Original Budget	Total Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Single-year expenditure								
Vote 1 - Municipal Manager	79	20	98	19	(79)	-81%	-101%	
Vote 2 - Finance	140	-	140	131	(9)	-6%	-6%	
Vote 3 - Corporate Services	697	12	709	731	23	3%	3%	
Vote 4 - Technical Services	100	-	100	-	(100)	-100%	-100%	
Capital single-year expenditure	1 015	31	1 047	881	(166)	-16%	-16%	-
Total Capital Expenditure - Vote	-	-	-	-	-	-	-	-
Capital Expenditure - Standard								
<i>Governance and administration</i>	719	32	751	730	(21)	-3%	-3%	430
Executive and council	47	20	66	19	(47)	-72%	-101%	28
Finance and administration	673	12	685	711	26	4%	4%	402
Internal audit	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	735	(571)	164	152	(12)	-8%	-2%	905
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	100	(71)	29	93	64	220%	64%	895
Housing	-	-	-	-	-	-	-	-
Health	64	71	135	58	(76)	-57%	-120%	10
<i>Economic and environmental services</i>	130	2	132	-	(132)	-100%	-102%	1
Planning and development	32	-	32	-	(32)	-	-	-
Road transport	100	-	100	-	(100)	-100%	-100%	1
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	1 584	(537)	1 047	881	(166)	-16%	-10%	1 336
Funded by:								
National Government	1 584	(537)	1 047	-	(1 047)	-100%	-66%	-
Provincial Government	-	-	-	-	-	0%	0%	895
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	1 584	(537)	1 047	-	-	0%	0%	-
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	100	(100)	-	881	881	0%	881%	441
Total Capital Funding	1 684	(637)	1 047	881	-	0%	0%	1 336

MUN - Reconciliation of Table A7 Budgeted Cash Flows

Description	2018/19							2017/18
	Original Budget	Budget Adjustments (i.e. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-
Other revenue	45 021	-	44 396	66 408	22 012	149.6%	147.5%	53 544
Government - operating	26 905	-	36 566	36 078	(488)	98.7%	134.1%	31 809
Government - capital	800	-	800	-	(800)	-	-	-
Interest	550	-	560	747	187	133.3%	135.7%	513
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(71 782)	-	(80 632)	(103 240)	(22 608)	128.0%	143.8%	(79 115)
Finance charges	-	-	-	(10)	(10)	-	-	(15)
Transfers and Grants	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	1 494	-	1 689	(18)	(1 707)	-1.1%	-1.2%	6 736
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	(691)	-	(691)	-	691	0.0%	0.0%	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	(279)
Payments								
Capital assets	(1 155)	-	(1 495)	(919)	575	61.5%	79.6%	(1 355)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1 846)	-	(2 186)	(919)	-	42.1%	49.8%	(1 633)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	0.0%	-
Borrowing long term/refinancing	-	-	-	(67)	(67)	-	-	17
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-
Payments								
Repayment of borrowing	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	(67)	(67)	-	0.0%	17
NET INCREASE/ (DECREASE) IN CASH HELD	(351)	-	(496)	(1 004)				5 120
Cash/cash equivalents at the year begin:	8 383	-	8 383	8 108				2 989
Cash/cash equivalents at the year end:	8 032	-	7 887	7 104	-	0.0%	0.0%	8 108